

Message Text

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C O N F I D E N T I A L TEGUCIGALPA 2178

E.O. 11652: GDS
TAGS: EINV, HO
SUBJECT: AGREEMENT REACHED BETWEEN UNITED BRANDS AND HONDURAS ON
LAND EXPROPRIATION

REF: TEGUCIGALPA 1585

SUMMARY: UNITED BRANDS (UB) AND GOH LAST WEEK REACHED AGREEMENT
ON SETTLEMENT OF BRAND EXPROPRIATION AND OTHER ISSUES. AGREEMENT

PRESERVES UB CONTROL OF CRITICAL WATER MANAGEMENT AREAS AND WORKS
AND OTHER PROPERTIES. COMPENSATION FOR ABOUT 51,000 ACRES TO BE
TRANSFERRED TO GOH SEEMS ASSURED, BUT AMOUNT AND MIX OF CASH AND
BONDS WAS LEFT PENDING. GOH AGREED TO PAY EACH FOR ANY CATTLE IT
ACQUIRES ON PASTURELANDS TAKEN OVER. SETTLEMENT RECONCILES UB
HOLDINGS WITH AGRARIAN REFORM LAW AND PROVIDES GOH WITH SUBSTAN-
TIAL FARMLAND FOR EARLY USE IN SATISFYING CAMPESINO GROUP DEMANDS,
THEREBY REDUCING POTENTIAL FOR LAND INVASIONS AND TENSIONS AF-
FECTING BOTH UB AND GOH. UB HAS WRITTEN AMBASSADOR BECKER EX-
PRESSING APPRECIATION FOR HIS ROLE IN PREVENTING LITIGATION, IN
MAKING LOW-KEY REPRESENTATIONS TO KEY MINISTERS AND FOR HIS
VALUABLE GUIDANCE TO COMPANY.

1. UB NEGOTIATING TEAM LED BY MR. WILLIAM MATHERS, EXECUTIVE VICE
PRESIDENT AND GENERAL COUNSEL FOR UB, REACHED AGREEMENT LATE LAST WEEK
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WITH GOH ON SETTLEMENT OF ISSUES ARISING FROM AGRARIAN REFORM IN-
STITUTE (INA) LAND EXPROPRIATION DECREES (NOS. 62 AND 63 OF DECEMBER
1976) AND OTHER MATTERS AFFECTING OPERATIONS IN HONDURAS. MATHERS FEELS

UB HAS ACHIEVED ITS MAIN OBJECTIVES OF RETAINING BANANA
AND PALM OIL AND FLOOD CONTROL LANDS, AND OTHER PROPERTY AND FACILITIES

WHICH IT CONSIDERS ESSENTIAL FOR CONTINUED OPERATIONS. PROVISIONS ALLOW UB TO RETAIN ABOUT 72,000 ACRES AND WILL REQUIRE TRANSFERRING ABOUT 51,000 TO GOH.

2. WHILE AMOUNT AND FORM OF COMPENSATION FOR LAND TO BE ACQUIRED BY GOH REMAIN SUBJECT TO NEGOTIATIONS, MOST ISSUES IN THIS COMPLEX CASE WERE RESOLVED IN A WAY WHICH MR. MATHERS BELIEVES WILL BE ACCEPTABLE TO UB DIRECTORS WHILE STILL MEETING GOH REQUIREMENTS FOR LAND USE AND AGRARIAN REFORM POLICY. HE WAS OPTIMISTIC THAT REMAINING QUESTIONS COULD BE RESOLVED AS IMPLEMENTATION TAKES PLACE DURING NEXT FEW MONTHS.

3. MANNER IN WHICH AGREEMENTS ARE TO BE FORMALIZED WAS GREATLY SIMPLIFIED. AGREEMENT COVERING MATTERS NOT TREATED IN DECREES 62 AND 63 SIGNED BY UB, CHIEF OF STATE AND INA. A SECOND AGREEMENT COVERING ISSUES RAISED BY THESE DECREES WILL BE ACCOMPLISHED IN AN EXCHANGE OF LETTERS BETWEEN UB AND CHIEF OF STATE. AGREEMENTS WILL NOT BE SUBJECT TO FORMAL APPROVAL OR SIGNATURE BY ADVISORY COUNCIL ON AGRARIAN REFORM OR COUNCIL OF MINISTERS. NOR WILL THERE BE LITIGATION OR JUDICIAL REVIEW OF AGREEMENTS.

4. FOLLOWING ARE MAIN POINTS OF OVERALL SETTLEMENT.

A. LAZ

SUBJECT TO IMMEDIATE GOH USE: GUAYMAS 8,825 ACRES; PUERTO ARTURO 3,622 ACRES; (AFTER 120 DAYS TO ALLOW SALE OF CATTLE, FOLLOWING PASTURE REVERTS TO GOH) FARM NO. THREE 877 ACRES; MONTE VISTA-COROZAL 1,700 ACRES. GOH HAS CONFIDENTIAL

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FIRST OPTION TO PURCHASE (FOR CASH) CATTLE ON LATTER PASTURES. THEREAFTER, UB MAY SELL CATTLE TO LOCAL OR FOREIGN BUYERS.

B. LANDS PRESENTLY EMPLOYED AS FOLLOWS WILL NOT BE EXPROPRIATED: BANANA AND PALM OIL CULTIVATIONS, FLOODWAYS, SPILLWAYS, RESEARCH, YOJOA RECREATION AND CAMPSITES, LANDING FIELDS, ROADS, URBAN AREAS AND TRACTS COMMITTED FOR WORKERS' HOUSES. UB WILL ALSO CONTINUE TO USE FLORICULTURE LAND.

C. OTHER PASTURE LANDS (6,962 ACRES) WILL BE RETAINED BY UB UNTIL CATTLE THEREON SOLD (1) BY END 1977 UNDER GOH OPTION OR, (2) BY MID-1978 TO ANY OTHER BUYER.

D DECREE 113 LAND (CONCESSION). DISPOSITION PENDING FURTHER TALKS (8,034 ACRES).

E. JOINT VENTURE FOR PALM OIL PROCESSING. AGREED TO STUDY FEASIBILITY.

F. CANCELLATION OF DECREES 62 AND 63. UB PROPOSAL TO CANCEL NOT ACCEPTED, BUT COMPROMISE REACHED ON AMENDMENTS.

G. MANNER OF APPROVAL. BY MUTUAL AGREEMENT, WITHOUT FURTHER EXECUTIVE OR JUDICIAL REVIEW OR DECREES.

COMMENT: SETTLEMENT PROCESS AND FINAL RESULTS HAVE CHARACTERI-

TICS OF UNIQUE NEGOTIATION CASE. INA INITIALLY GAINED STRONG
POSITION BY MAKING MAXIMUM DEMANDS IN COMPLEX, LEGALISTIC DECREES
AND BY MAKING SURPRISE PUBLIC ANNOUNCEMENT AT A TIME LEAST FAVORABLE TO

UB (MID-DECEMBER ON DAY OF PUBLIC RELEASE OF SEC SPECIAL REPORT ON
ALLEGED UB BRIBE AND WHEN AIRLINES BOOKED). RESORT TO WIDELY
PUBLICIZED PRESS CONFERENCE FOR ANNOUNCEMENT OF EXPROPRIATION BY
ROGOBERTO SANDOVAL, THEN INA DIRECTOR STRENGTHENED HIS HAND. HIS ATT-
EMPT TO SERVE LEGAL
NOTICE ON UB IMMEDIATELY AND THEREBY COMMIT CASE
TO LITIGATION WAS STALLED BY AMB. BECKER'S PROMPT INTERVENTION (AT
REQUEST OF UB PRESIDENT) WITH SANDOVAL AND CHIEF OF STATE MELGAR.

WHETHER BY REASON OF TACTIC
OR NEED TO STUDY THE COMPLEX DECREES, UB MOVED SLOWLY BUT DELIBERATELY

TO BUILD AND PRESENT ITS CASE. AMB. BECKER'S CONTINUING DIALOG IN AD
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HOC MEETINGS WITH MEMBERS OF CABINET LEVEL COMMISSION ESTABLISHED FOR
PURPOSE HELPED ELIMINATE ADVERSARY SITUATION AND PAVED THE WAY FOR
SMOOTH NEGOTIATIONS. AS MEANINGFUL BARGAINING PROCEEDED WITH CABINET-

LEVEL COMMISSION, SANDOVAL BEGAN TO LOSE CABINET SUPPORT AND EVEN
THAT OF KEY INA SUBORDINATES, FARM LABOR AND CAMPESINO GROUPS. DURING

NEGOTIATIONS AMB. BECKER TOOK ADVANTAGE OF SEVERAL AD HOC ENCOUNTERS
WITH KEY MINISTERS TO REPEAT OUR INTEREST IN CASE AND TO URGE SETTLEM-
ENT

BY MUTUAL AGREEMENT AND WITHOUT LITIGATION. PARTIES TO NEGOTIATIONS
PARTED IN STATE OF GOOD RELATIONS, AND EMBASSY CONFIDENT THAT GOOD WILL

AND INTEGRITY OF PARTIES CAN BE COUNTED ON FOR PROPER CONSUMMATION OF
SETTLEMENT. UB HAS EXPRESSED APPRECIATION FOR MY ASSISTANCE IN A REC
ENT

LETTER, AND GOH MINISTERS HAVE ALSO TOLD ME MY LOW-KEY APPROACHES
CONTRIBUTED TO EARLY SETTLEMENT.

BECKER

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